



MEMORANDUM

TO: Indiana School Superintendents

FROM: Lance V. Rhodes
Chief Financial Officer

DATE: August 31, 2009

SUBJECT: Qualified School Construction Bonds

This memorandum serves as an update to information the Department has recently received concerning the Qualified School Construction Bond (QSCB) program. The American Recovery and Reinvestment Act of 2009 (ARRA) authorized these tax credit bonds for school construction and renovation.

Recently, the tax credit rates for the bonds have dropped below the market rates. As a result, the investors in the market are looking for a minimum guarantee to purchase the bonds and requesting a supplemental coupon interest rate to cover the difference between the market rate and the tax credit rate resulting in additional interest costs associated with two of the bonds. Until there is greater competition among a limited number of investors for QSCB or the tax credit rates increase, there may be additional interest costs associated with covering the one percent (1%) to one and one quarter percent (1 ¼ %) difference in market tax credit rates required by potential investors.

This is a national phenomenon and not an issue exclusive to Indiana. Schools interested in pursuing QSCB should plan accordingly by being prepared to cover the potential additional interest costs. Should competition for the purchase of QSCB increase in the coming months, schools should benefit in terms of reduced or eliminated interest costs associated with the sale.

If you have any questions concerning this memo, please contact the Office of School Finance at 1-866-234-1414 or by email at mambre@doe.in.gov.